

## **EDUCATION DEPARTMENT [281]**

### **Notice of Intended Action**

Pursuant to the authority of Iowa Code section 256.7(5), the State Board of Education hereby proposes to amend Chapter 98, “Financial Management of Categorical Funding,” Iowa Administrative Code.

Chapter 98 outlines the financial management of categorical funding. The proposed amendments to Chapter 98 reflect legislative changes impacting the following categorical funding programs: definitions; home school assistance program; statewide voluntary four-year-old preschool program; operational function sharing supplementary weighting; limited English proficiency (LEP) weighting; gifted and talented program; returning dropout and dropout prevention program; Iowa early intervention block grant, also known as early intervention supplement; teacher salary supplement; teacher leadership supplement, educator quality basic salary; educator quality professional development, also known as professional development supplement; educational excellence, phase I; levies and funds; general fund; management fund; physical plant and equipment levy (PPEL) fund; capital projects fund; special education instruction fund; and juvenile home program instruction fund. The proposed amendments also create new subrules, based upon relatively recent legislation, dealing with early literacy and an entrepreneurial education fund.

An agencywide waiver provision is provided in 281 – Chapter 4.

Interested individuals may make written comments on the proposed amendment on or before March 10, 2015, at 4:30 p.m. Comments on the proposed amendments should be directed to Jeff Berger, Deputy Director, Iowa Department of Education, Second Floor, Grimes State Office

Building, 400 East 14<sup>th</sup> Street, Des Moines, Iowa 50319-0146; telephone (515) 281-8661; or email at [jeff.berger@iowa.gov](mailto:jeff.berger@iowa.gov).

A public hearing will be held on March 10, 2015, from 10 to 11 a.m. in the State Board Room, Second Floor, Grimes State Office Building, 400 East 14<sup>th</sup> Street, Des Moines, Iowa, at which time persons may present their views either orally or in writing. Any persons who intend to attend the public hearing and have special requirements, such as those related to hearing or mobility impairments, should contact and advise the Department of Education of specific needs by calling (515) 281-5295.

After analysis and review of this rule making, no impact on jobs has been found.

Item 1: HF 215 (2013) amended existing code language to change references to “allowable growth” to read “supplemental state aid” or “supplemental amount.” This language adjustment occurs in multiple subsections of Iowa Code chapter 257.

Item 2: HF 645 (2011) amended Iowa Code section 298.3 to allow for bundling of IT to meet the \$500 threshold in PPEL. This adjustment aligns with the changes in Iowa Code section 298.3.

Item 3: SF 2376 (2010) amended Iowa Code section 299A.12 to expand the permissive uses of Home School Assistance Program funds. The addition of “teaching” in item “b” simply clarifies that HSAP resources are for parents providing home schooling to their children (teaching parents). The addition of “i” clarifies that HSAP funds may be used for transportation costs associated with the delivery of HSAP programming. The clarifications in section 2 “inappropriate uses” simply reflect that these program (categorical) funds cannot be used for infrastructure, the same restriction that is placed on all other categorical funds. Rent is possible,

but rent can never be paid from program funds – it must be paid from PPEL or Capitol Projects funding and then transferred in through an interfund transfer from HSAP funding.

Item 4: HF 877 (2007) created the statewide quality 4-year-old preschool program. Iowa Code section 256C(4)(1)(e) specifically states that building construction is a nonpermissive use of these funds.

Item 5: HF 2271 (2014) made changes to operational sharing in Iowa Code section 257.11(7)(a). This change is consistent with that code update.

Item 6: SF 452 (2013) changes the number of years of supplemental weighting from 4 to 5 in both Iowa Code section 257.31(5) and Iowa Code section 280.4(3). The language related to “allowable growth” was also adjusted per Item 1 above.

Item 7: This change is a clarification that has been needed for several years, modifying a confusing sentence. This change simply states that for all other uses of funds, other than those listed in section 1 of 98.18 as permissive, are not permissive. This is no change to current practice.

Item 8: This is the same change as done in Item 1 and also clarifies in rule what the Department of Education has been allowing in practice – that equipment costs and transportation costs related to TAG programming are allowable. This is consistent with other existing categorical fund sections. It also clarifies that using TAG funds for purposes not related to TAG programming is not allowable.

Item 9: This is the same change as done in Item 1. In “a”, it also strikes public or nonpublic in place of district since this funding is district exclusive. It also clarifies, as in several other

sections, that funds are to be used for this programming exclusively and not for general purposes. This is all consistent with changes made by SF 451 (2012) to Iowa Code section 257.41.

Item 10: This change simply removes outdated language related to “grants in aid”. This funding is now included in the state school aid formula.

Item 11: Same change as Item 10.

Item 12: We used a previously rescinded section of rules to add rules related to the new Teacher Leadership Supplement funding established by HF 215 (2013). This section mirrors the construction of the others and is established in Iowa Code section 284.15.

Item 13: This change mirrors Item 10, as this is now included in state aid, but also clarifies that the funding can be used for the new TLC programming in Iowa Code section 284.15 as well as prior uses. (HF 215, 2013)

Item 14: Eliminates references to a program that no longer exists.

Item 15: Uses a previously rescinded section and creates a set of rules related to Early Literacy programming included in SF 2282 (2012). Code containing these provisions includes Iowa Code sections 256.7(32), 256.9(53), and 279. 60 and 69. The rule language mirrors code language and the other sections of categorical rules discussing permissive and nonpermissive uses.

Item 16: Adjustment due to Item 15.

Item 17: Provides additional detail clarifying certain parameters around categorical funding that have been operationalized for many years.

Item 18: Same adjustment as in Item 1. Clarifies that a couple things are permissive uses of general funds – asbestos abatement and start-up costs for new buildings. Both items can be brought to the school budget review committee (SBRC) for additional supplemental aid but must first be paid from general funds and then taxed back given SBRC approval.

Item 19: SF 220 (2014) adjusted this provision to from “55 to 65” to “55 or older” in Iowa Code section 279.46. This just mirrors current statute.

Item 20: Same adjustment as in Item 2 on all of these issues.

Item 21: Clarifies that the provision included is a permissive use of capital projects funds, as has been the interpretation for years.

Item 22. HF 553 (2013) created the Entrepreneurial Education fund. This section simply mirrors the code and further explains permissive and nonpermissive uses of that funding included in Iowa Code section 298A.15.

Item 23: Updates these sections to reflect current terminology – no change in practice.

Item 24: Updates these sections to reflect current terminology and also adds language expecting that Area Education Agencies will include cost containment as a principle to consider when developing these programs. This mirrors the guidance issued by the Department of Education to the field, and is consistent with other permissive and nonpermissive uses of categorical funds sections.

ITEM 1. Amend the following definitions in rule **281 – 98.1(256, 257)**:

*"Budgetary allocation"* means the portion of the funding that is specifically earmarked for a particular purpose or designated program and which, in the case of the general fund, has been

rolled into, or added to, the school district cost per pupil or school district regular program cost. Budgetary allocations may include both state aid and property tax. Budgetary allocations increase budget authority on the first day of the fiscal year for which the allocation has been certified or on the date that the school budget review committee approves the modified allowable growth supplementary amount for a specific purpose or program; the budget authority remains even if the full amount of revenue is not received or if the local board does not levy a cash reserve. There is no assumption that a school district or area education agency will receive the same amount of revenue as it has received in budget authority due to delinquent property taxes, cuts in state aid, or legislative decisions to fund other instructional programs off the top of state aid. The school district or area education agency must expend the full amount of budget authority for the specific purposes for which it was earmarked. When the school district or state cost per pupil is transferred from one school district to another school district in the form of tuition as required by the Iowa Code, any budgetary allocation that is included in the school district or state cost per pupil shall be considered transferred to the receiving school district and shall be expended for the specific purpose for which it was earmarked.

ITEM 2. Amend the definitions in rule **281 – 98.1(256, 257)** by adding the following definition: “Technology” means hardware, non-instructional software and software required to provide functionality to the hardware, wireless presenters, networking and connectivity systems, computing storage, website development services, hardware carrying equipment, licensing, and technical assistance for installation of hardware, software, or software updates. Technology does not include such items as instructional software or textbook substitutes as defined in Iowa Code chapter 301, professional development, staff providing support to teachers or students, general supplies, district personnel or individuals/companies hired or contracted in lieu of district

personnel, travel, printing costs or media services not listed in this definition, insurance, most purchased services, or similar district functions. Maintenance contracts do not meet the definition of technology unless they are actually a license renewal fee; Internet subscriptions, licenses, or fees; or cable or satellite services; or very similar services.

ITEM 3. Amend the following in rule **281 – 98.12 (257, 299A)**:

**98.12(1)** *Appropriate uses of categorical funding.* Appropriate uses of the home school assistance program funding include, but are not limited to, the following:

- a. Instruction for students and assistance for parents with instruction.
- b. Services to support students enrolled in a home school assistance program, to support the teaching parents of the students, and to support home school assistance program staff.
- c. Salary and benefits for the supervising teacher of the home school assistance program. If the teacher is a part-time home school assistance program teacher and a part-time regular classroom teacher, then the portion of time that is related to providing the home school assistance program can be charged to the program, but the regular classroom portion cannot.
- d. Salary and benefits for clerical and office staff of the home school assistance program. If the staff member's employment supports other programs of the school district, only that portion of the staff member's salary and benefits that is related to providing the home school assistance program can be charged to the program.
- e. Staff development for the home school assistance program teacher.
- f. Travel for the home school assistance program teacher.
- g. Resources, materials, computer software, supplies, equipment, and purchased services (1) that are necessary to provide the services of home school assistance and (2) that will remain with the school district for its home school assistance program.

h. A copier and computer hardware that support the home school assistance program.

i. Student transportation exclusively for home school assistance program-approved field trips or other educational activities.

**98.12(2) *Inappropriate uses of categorical funding.*** Inappropriate uses of the home school assistance program funding include, but are not limited to, indirect costs or use charges; operational or maintenance costs other than those necessary to operate and maintain the program; capital expenditures other than equipment or ~~facility acquisition, including~~ the lease or rental of space to supplement existing schoolhouse facilities for the program; student transportation except in cases of home school assistance program-approved field trips or other educational activities; administrative costs other than the costs necessary to administer the program; concurrent and dual enrollment costs, including postsecondary enrollment options program costs; or any other expenditures not directly related to providing the home school assistance program. A home school assistance program shall not provide moneys or resources paid for with this program funding to parents or students utilizing the program. For capital expenditures for lease or rental of classrooms or facilities for this program, the cost will be expended from a capital projects fund. A reimbursement for that cost related to the program will be an interfund transfer to the capital project fund from the program funding.

ITEM 4. Amend the following in rule **281.13 (256C, 257) Statewide voluntary four-year-old preschool program.**

**98.13(3) *Inappropriate uses of categorical funding.*** Inappropriate uses of the statewide voluntary four-year-old preschool program funding include, but are not limited to, indirect costs or use charges, capital expenditures other than equipment, facility acquisition, construction, debt service, operational or maintenance costs or administrative costs that supplant or that exceed 5 percent, or

any other expenditures not directly related to providing the statewide voluntary four-year-old preschool program or that supplant existing public funding for preschool programming.

ITEM 5. Amend the following in rule **281 – 98.15 (257) Operational function sharing supplementary weighting**. Operational function sharing supplementary weighting provides funding in addition to the student count that generates general purpose revenues and is for the purpose of incenting sharing of management-level staff. It is assumed that operational function sharing supplementary weighting covers only a portion of the costs of sharing management-level staff, curriculum director, or school counselor and shall be fully expended within the five-year period of sharing. Therefore, school districts are not required to account for the operational function sharing supplementary weighting funding separate from the general purpose revenues.

ITEM 6. Amend the following in rule **281 – 98.16 (257, 280) Limited English proficiency (LEP) weighting**. Limited English proficiency weighting provides funding in addition to the student count that generates general purpose revenues and is for the purpose of providing funding for the excess costs of instruction of limited English proficiency students above the costs of instruction of pupils in a regular curriculum. In addition, the school budget review committee may grant a modified allowable growth supplemental amount to continue funding of the excess costs beyond the ~~four~~ five years of weighting. Funding for the limited English proficiency weighting and the modified ~~allowable growth~~ supplemental amount for limited English proficiency programs are both categorical funding and may have different restrictions than the federal limited English proficiency funding.

ITEM 7. Amend the following rule in **281 – 98.18 (257) At-risk formula supplementary weighting**.

**98.18(1) *Appropriate uses of categorical funding.*** Appropriate uses of at-risk formula supplementary weighting funding include costs to develop or maintain at-risk pupils' programs, which may include alternative school programs, and include, but are not limited to:

*a.* Salary and benefits for the teacher(s) and guidance counselor(s) of students participating in the at-risk or alternative school programs when the teacher (or counselor) is dedicated to working directly and exclusively with identified students beyond the services provided by the school district to students who are not identified as at risk. If the teacher (or counselor) is part-time at-risk and part-time regular classroom teacher (counselor), then the portion of time that is related to the at-risk program may be charged to the program, but the portion of time that is related to the regular classroom shall not.

*b.* Professional development for all teachers and staff working with at-risk students and programs involving intervention strategies.

*c.* Research-based resources, materials, software, supplies, equipment, and purchased services that meet all of the following criteria:

- (1) Meet the needs of K through 12 identified students at risk,
- (2) Are beyond those provided by the regular school program,
- (3) Are necessary to provide the services listed in the school district's at-risk program plan, and
- (4) Will remain with the K through 12 at-risk program.

**98.18(2) *Inappropriate uses of categorical funding.*** Inappropriate uses of the at-risk formula supplementary weighting funding include, but are not limited to, indirect costs or use charges, operational or maintenance costs, capital expenditures other than equipment, student transportation other than allowed in rule 98.18(1), administrative costs other than allowed in rule 98.18(1) ~~those related to a separate school located off site and where the administrator is assigned exclusively to~~

~~this program~~, or any other expenditures not directly related to providing the at-risk or alternative school program beyond the scope of the regular classroom program.

ITEM 8. Amend the following rule in **281 – 98.20 (257) Gifted and talented program**. Gifted and talented program funding is included in the school district cost per pupil calculated for each school district under the school foundation formula. The per-pupil amount increases each year by the ~~allowable growth~~ supplemental state aid percentage. This amount must account for not more than 75 percent of the school district's total gifted and talented program budget. The school district must also provide a local match from the school district's regular program district cost and the local match portion must be a minimum of 25 percent of the total gifted and talented program budget. In addition, school districts may receive donations and grants, and the school district may contribute more local school district resources toward the gifted and talented program. The 75 percent portion, the local match, and all donations and grants shall be accounted for as categorical funding.

The purpose of the gifted and talented funding described in Iowa Code section [257.46](#) is to provide for identified gifted students' needs beyond those provided by the regular school program pursuant to each gifted student's individualized plan. The funding shall be used only for expenditures that are directly related to providing the gifted and talented program.

**98.20(1) Appropriate uses of categorical funding.** Appropriate uses of the gifted and talented program funding include, but are not limited to:

*a.* Salary and benefits for the teacher of gifted and talented students. If the teacher is a part-time gifted and talented and a part-time regular classroom teacher, then the portion of time that is related to the gifted and talented program may be charged to the program, but the portion of time that is related to the regular classroom shall not.

b. Staff development for the gifted and talented teacher.

c. Resources, materials, software, supplies, equipment, and purchased services that meet all of the following criteria:

- (1) Meet the needs of K through 12 identified students,
- (2) Are beyond those provided by the regular school program,
- (3) Are necessary to provide the services listed on the gifted students' individualized plans, and
- (4) Will remain with the K through 12 gifted and talented program.

d. Student transportation exclusively for approved gifted and talented field trips or other educational activities.

**98.20(2) *Inappropriate uses of categorical funding.*** Inappropriate uses of the gifted and talented program funding include, but are not limited to, indirect costs or use charges, operational or maintenance costs, capital expenditures other than equipment, student transportation other than field trips exclusive to this program, administrative costs, or any other expenditures not directly related to providing the gifted and talented program beyond the scope of the regular classroom.

ITEM 9. Amend the following rule in **281 – 98.21 (257) Returning dropout and dropout prevention program.** Returning dropout and dropout prevention programs are funded through a school district-initiated request to the school budget review committee for a modified allowable growth supplemental amount pursuant to Iowa Code sections [257.38](#) to [257.41](#). This amount must account for not more than 75 percent of the school district's total dropout prevention budget. The school district must also provide a local match from the school district's regular program district cost, and the local match portion must be a minimum of 25 percent of the total dropout prevention budget. In addition, school districts may receive donations and grants, and the school district may

contribute more local school district resources toward the program. The 75 percent portion, the local match, and all donations and grants shall be accounted for as categorical funding.

**98.21(1) *Purpose of categorical funding.*** The purpose of the dropout prevention funding is to provide funding to meet the needs of identified students at risk of dropping out of school beyond the instructional program and services provided by the regular school program. The funding shall be used only for expenditures that are directly related to the returning dropout and dropout prevention program.

*a.* Returning dropouts are resident pupils who have been enrolled in a ~~public or nonpublic~~ school district in any of grades 7 through 12 who withdrew from school for a reason other than transfer to another school or school district and who subsequently reenrolled in a public school in the school district.

*b.* Potential dropouts are resident pupils who are enrolled in a ~~public or nonpublic~~ school district who demonstrate poor school adjustment as indicated by two or more of the following:

- (1) High rate of absenteeism, truancy, or frequent tardiness.
- (2) Limited or no extracurricular participation or lack of identification with school, including but not limited to expressed feelings of not belonging.
- (3) Poor grades, including but not limited to failing in one or more school subjects or grade levels.
- (4) Low achievement scores in reading or mathematics which reflect achievement at two years or more below grade level.
- (5) Children in grades kindergarten through 3 who meet the definition of at-risk children adopted by the department of education.

**98.21(2) *Appropriate uses of categorical funding.*** Appropriate uses of the returning dropout and dropout prevention program funding include, but are not limited to:

*a.* Salary and benefits for instructional staff, instructional support staff, and school-based youth services staff who are working with students who are participating in dropout prevention programs, alternative programs, and alternative schools, in a traditional or alternative setting, if the staff person's time is dedicated to working with returning dropouts or students who are deemed, at any time during the school year, to be at risk of dropping out, in order to provide services beyond those which are provided by the school district to students who are not identified as at risk of becoming dropouts. However, if the staff person works part-time with students who are participating in returning dropout and dropout prevention programs, alternative programs, and alternative schools and has another unrelated staff assignment, only the portion of the staff person's time that is related to the returning dropout and dropout prevention program, alternative program, or alternative school may be charged to the program. For purposes of this paragraph, if an alternative setting is necessary to provide for a program which is offered at a location off school grounds and which is intended to serve student needs by improving relationships and connections to school, decreasing truancy and tardiness, providing opportunities for course credit recovery, or helping students identified as at risk of dropping out to accelerate through multiple grade levels of achievement within a shortened time frame, ~~the tuition costs for a student identified as at risk of dropping out shall be considered an appropriate use of the returning dropout and dropout prevention program funding.~~

*b.* Professional development for all teachers and staff working with at-risk students and programs involving dropout prevention strategies.

c. Research-based resources, materials, software, supplies, equipment, and purchased services that meet all of the following criteria:

(1) Meet the needs of K through grade 12 students identified as at risk of dropping out and of returning dropouts,

(2) Are beyond those provided by the regular school program,

(3) Are necessary to provide the services listed in the school district's dropout prevention plan, and

(4) Will remain with the K through grade 12 returning dropout and dropout prevention program.

d. Transportation provided by the school district exclusively to transport identified students to an alternative school or alternative program located in and provided by another Iowa school district.

e. The portion of the maximum tuition allowed by Iowa Code section 282.24 that corresponds to the portion exclusively providing direct additional instruction and services to an identified group of students above the costs of instruction of pupils in a regular curriculum.

f. School-level administrator assigned exclusively to an off site alternative school program within the district. If the principal is part-time administering the program, then the portion of time that is exclusively and directly related to the program may be charged to the program, but the portion of time that is related to other purposes shall not.

~~—d.g.—~~Up to 5 percent of the total budgeted amount received pursuant to 2012 Iowa Acts, Senate File 451, section 1(1), may be used for purposes of providing districtwide or buildingwide returning dropout and dropout prevention programming targeted to students who are not deemed at risk of dropping out.

**98.21(3) *Inappropriate uses of categorical funding.*** Inappropriate uses of the returning dropout and dropout prevention program funding include, but are not limited to, indirect costs or use charges, operational or maintenance costs, capital expenditures other than equipment, student transportation other than allowed in rule 98.21(2), administrative costs other than those allowed in rule 98.21(2) ~~related to a separate school located off site and where the administrator is assigned exclusively to this program~~, expenses related to the routine duties of a school nurse, general support for a school guidance counselor including any activities performed with qualified students that are also provided to all students, or any other expenditures not directly related to providing the returning dropout and dropout prevention program beyond the scope of the regular classroom.

ITEM 10. Amend the rule in **281 – 98.23 (256D, 257) Iowa early intervention block grant, also known as early intervention supplement.** ~~Beginning with the fiscal year 2009-2010, the Iowa early intervention block grant program is converted from a grants-in-aid categorical funding to a budgetary allocation categorical funding.~~ The program's goals for kindergarten through grade 3 are to provide the resources needed to reduce class sizes in basic skills instruction to the state goal of 17 students for every one teacher; provide direction and resources for early intervention efforts by school districts to achieve a higher level of student success in the basic skills, especially reading skills; and increase communication and accountability regarding student performance.

ITEM 11. Amend the following rule **281 – 98.24 (257, 284) Teacher salary supplement.** Beginning with the fiscal year 2009-2010, the educational excellence Phase II program and the educator quality basic salary program were combined ~~and converted from grants-in-aid categorical funding to a budgetary allocation categorical funding.~~ Remaining balances in the educational excellence Phase II program and the educator quality basic salary program shall be expended for the same purposes as the teacher salary supplement. A teacher may be employed in

both an administrative and a nonadministrative position by a board of directors of a school district and shall be considered a part-time teacher for the portion of time that the teacher is employed in a nonadministrative position.

ITEM 12. Amend the following rule **281.25 (257, 284) Educator quality basic salary.**

Rescinded ~~IAB 12/15/10~~, effective 1/19/11.

**Teacher leadership supplement.** The purpose of the Teacher Leadership Supplement is to improve instruction and elevate the quality of teaching and student learning.

**98.25(1) Appropriate uses of categorical funding.** Appropriate uses of Teacher Leadership Supplement funding shall be used only to increase the payment for a teacher assigned to a leadership role pursuant to a framework or comparable system approved pursuant to section 284.15; to increase the percentages of teachers assigned to leadership roles; to increase the minimum teacher starting salary to thirty-three thousand five hundred dollars; to cover the costs for the time mentor and lead teachers are not providing instruction to students in a classroom; for coverage of a classroom when an initial or career teacher is observing or co-teaching with a teacher assigned to a leadership role; for professional development time to learn best practices associated with the career pathways leadership process; and for other costs associated with a framework or comparable system approved by the department of education under section 284.15 with the goals of improving instruction and elevating the quality of teaching and student learning. Payment to a teacher as used in this rule means additional salary for teachers and the amount required to pay the employers' share of the federal social security and Iowa public employees' retirement system, or a pension and annuity retirement system established under Iowa Code chapter 294. Appropriate uses also include payments to another school district or districts as negotiated in a whole grade sharing agreement pursuant to Iowa Code section [282.10](#).

[subsection 4](#) and payment to another school district receiving an open enrollment student pursuant to Iowa Code section 282.18.

**98.25(2) Inappropriate uses of categorical funding.** Inappropriate uses of the teacher leadership supplement funding shall include any expenditures other than the appropriate use described in subrule [98.25\(1\)](#) hereof.

ITEM 13. Amend the following rule **281 – 98.26 (257, 284) Educator quality professional development, also known as professional development supplement.** ~~Beginning with the fiscal year 2009 2010, the educator quality professional development program, including core curriculum professional development, is converted from a grants-in-aid categorical funding to a budgetary allocation categorical funding. The purpose of the funding is to implement the professional development provisions of the teacher career paths and leadership roles specified in Iowa Code section 285.7 or 284.15.~~

ITEM 14. Amend the following rule **281.41 (257, 294A) Educational excellence, Phase I.** ~~Rescinded [IAB 12/15/10](#), effective 1/19/11.~~

#### **281 – 41 Reserved**

ITEM 15. Amend Chapter 98 Division III by adding the following new rule.

**281—98.45 (279) Early Literacy.** School districts shall provide intensive supplemental reading instruction to any student who has been identified as exhibiting a substantial deficiency in ready, based upon the assessment or through teacher observations. The student's reading proficiency shall be reassessed by locally determined or statewide assessments. The student shall continue to be provided with intensive reading instruction until the reading deficiency is remedied. The district shall promote effective evidence-based programming, instruction and

assessment practices across schools to support all students to become proficient readers by the end of the third grade. Programs and services may extend beyond third grade.

**98.45(1) Appropriate uses of categorical funding.** Appropriate uses of the Early Literacy funding include, but are not limited to,

a. Intensive supplemental instructional programs, instructional support, and assessment for identified students;

b. Professional development for staff regarding early literacy program requirements, instructional materials, and assessments;

c. Purchase of supplemental or specialized curriculum and/or instructional materials and assessments that are scientific, research-based that meet the standards of Iowa Code section 279.68 for identified students;

d. Tutoring, mentoring, extended school day, week, or year programs for identified students, if not already being provided with other sources of funding or general program funding;

e. Intensive summer literacy program at the K-3 level for identified students;

f. Transportation services for identified students participating in the intensive summer literacy programs.

**98.45(2) Inappropriate uses of categorical funding.** Inappropriate uses of the Early Literacy program funding include, but are not limited to, indirect costs or use charges, operational or maintenance costs, capital expenditures other than equipment, student transportation, or administrative costs.

ITEM 16. Amend **281 – 98.45** to **98.59** as follows.

**281—98.465 to 98.59** Reserved.

ITEM 17. Amend the following rule **281—98.60 (24, 29C, 76, 143, 256, 257, 274, 275, 276, 279, 280, 282, 283A, 285, 291, 296, 298, 298A, 300, 301, 423E, 423F, 565, 670) Levies and funds.**

Tax levies or funds that are required by law to be expended only for the specific items listed in statute shall be accounted for in a similar way to categorical funding. Each fund is mutually exclusive and completely independent of any other fund. No fund shall be used as a clearing account for another fund, no fund may retire the debt of another fund unless specifically authorized in statute, and transfers between funds shall be accomplished only as authorized in statute or approved by the school budget review committee. Public funds shall not be used for private purposes.

ITEM 18. Amend the following rule **281—98.61 (24, 143, 257, 275, 279, 280, 285, 297, 298, 298A, 301, 473, 670) General fund.** All moneys received by a school corporation from taxes and other sources shall be accounted for in the general fund, except moneys required by law to be accounted for in another fund. If another fund specifically lists an expenditure to that other fund, it is assumed not to be appropriate to the general fund unless statute expressly states that it is an appropriate general fund expenditure. Each school district and each area education agency shall have only one general fund.

**98.61(1) Sources of revenue in the general fund.** Sources of revenue in the general fund include all moneys not required by law to be accounted for in another fund and interest on the investment of those moneys. Proceeds from the sale or disposition of property other than real property, proceeds from the lease of real or other property, compensation or rent received for the use of school property, sales of school supplies, and sales or rentals of textbooks shall be accounted for in the general fund. Proceeds for loans for equipment pursuant to Iowa Code section [279.48](#), federal loans for asbestos projects pursuant to Iowa Code section [279.52](#), or loans for energy

conservation projects pursuant to Iowa Code section [473.20](#) may be accounted for in the general fund. Any revenue or receipt described in law as “miscellaneous income” or related to the modified ~~allowable growth~~ supplemental amount is restricted to the general fund.

**98.61(2)** *Appropriate uses of the general fund.* Appropriate expenditures in the general fund include, but are not limited to, the following:

- a. Providing day-to-day operations to the district or area education agency, such as salaries, employee benefits, purchased services, supplies, and expenditures for instructional equipment.
- b. Purchasing school buses from unobligated funds on hand.
- c. Establishing and maintaining dental clinics for children and offering courses of instruction on oral hygiene.
- d. Employing public health nurses.
- e. Funding insurance agreements if the district has not certified a district management levy.
- f. Purchasing books and other supplies to be loaned, rented, or sold at cost to students.
- g. Purchasing safety eye-protective devices and safety ear-protective devices.
- h. Purchasing bonds and premiums for bonds for employees who have custody of funds belonging to the school district or area education agency or funds derived from extracurricular activities and other sources in the conduct of their duties.
- i. Paying assessed costs related to changes in boundaries, reorganization, or dissolution.
- j. Publishing the notices and estimates and the actual and necessary expenses of preparing the budget.
- k. Engraving and printing school bonds, in the case of a school district.
- l. Transferring interest and principal to the debt service fund when due for loans to purchase equipment authorized under Iowa Code section [279.48](#) and loans to be used for energy

conservation measures under Iowa Code section [473.20](#), in the case of a school district, where the original proceeds were accounted for in the general fund.

*m.* Transferring interest and principal to the debt service fund when due for lease purchase agreements related to capital projects authorized under Iowa Code subsection [273.3\(7\)](#), in the case of an area education agency.

*n.* Funding asbestos projects including the costs of inspection and reinspection, sampling, analysis, assessment, response actions, operations and maintenance, training, periodic surveillance, and developing of management plans and record-keeping requirements relating to the presence of asbestos in school buildings and its removal or encapsulation as authorized by the school budget review committee in the case of a school district.

*o.* Funding energy conservation projects entered into with the department of natural resources or its duly authorized agents or representatives pursuant to Iowa Code section [473.20](#), in the case of a school district.

*p.* Transferring to a capital projects fund as authorized by the school budget review committee, in the case of a school district.

*q.* Transferring to a capital projects fund as funds are due to be expended on a capital project authorized under Iowa Code subsection [273.3\(7\)](#), in the case of an area education agency.

*r.* Startup costs, other than land purchase, for the first year of a new student construction program.

~~*r.s.*~~ Paying any other costs not required to be accounted for in another fund.

**98.61(3)** *Inappropriate uses of the general fund.* Inappropriate expenditures in the general fund include the following:

*a.* Purchasing land or improvements ~~other than land for student construction projects.~~

b. Purchasing or constructing buildings or for capital improvements to real property except under special circumstances authorized by the school budget review committee, in the case of a school district, or except as authorized under Iowa Code subsection [273.3\(7\)](#), in the case of an area education agency.

c. Modifying or remodeling school buildings or classrooms even if to make them accessible.

d. Paying interest and principal on long-term indebtedness for which the original proceeds were not accounted for in the general fund.

e. Funding lease-purchases.

f. Purchasing portable buildings.

g. Paying individuals or private organizations that are not audited and allowed ~~and~~ costs related to goods received or services rendered.

h. Paying other costs that are not operating or current expenditures for public education and are not expressly authorized in the Iowa Code.

ITEM 19. Amend the following rule **281—98.62 (279, 296, 298, 670) Management fund**. The purpose of this fund is to pay the costs of unemployment benefits; early retirement benefits; insurance agreements; liability insurance to protect the school districts from tort liability, loss of property, and environmental hazards; and judgments or settlements relating to such liability. The authority to establish a management fund is available to school districts but not to area education agencies.

**98.62(1) Sources of revenue in the management fund.** Sources of revenue in the management fund include a property tax and interest on the investment of those moneys.

**98.62(2) Appropriate uses of the management fund.** Appropriate expenditures in the management fund include the following:

- a. Costs of unemployment benefits as provided in Iowa Code section [96.31](#).*
- b. Costs of liability insurance to protect the school districts from tort liability, loss of property, and environmental hazards.*
- c. Costs of a final court judgment entered against the district or a settlement made for a tort liability claim including interest accruing on the judgment or settlement to the expected date of payment.*
- d. Costs, including prepaid costs, of insurance agreements to protect the school districts from tort liability, loss of property, environmental hazards, or other risk associated with operations, but not including employee benefit plans.*
- e. Costs of early retirement benefits to employees under Iowa Code section [279.46](#) to pay a monetary bonus, continuation of health or medical insurance coverage, or other incentives for encouraging employees to retire before the normal retirement date for employees ~~within the age range of 55 to 65~~ or older who notify the board of directors prior to April 1 of the fiscal year that they intend to retire not later than the start of the next following school calendar.*
- f. Costs of a physical inventory conducted solely for the purpose of insurance.*
- g. Transfers to the debt service fund for payment of principal and interest when due on general obligation bonds issued under Iowa Code section [296.7](#) to protect the school district from tort liability, loss of property, environmental hazards, or other risk associated with operations.*
- h. Transfers to the appropriate fund for the portion of an insurance claim which was eligible under the insurance agreement but was denied because it was within the deductible limit.*

ITEM 20. Amend the following rule **281 – 98.64 (279, 283, 297, 298) Physical plant and equipment levy (PPEL) fund**. The physical plant and equipment levy (PPEL) consists of the regular PPEL not to exceed \$0.33 per \$1000 of assessed valuation and a voter-approved PPEL not

to exceed \$1.34 per \$1000 of assessed valuation, for a total of \$1.67. The authority to establish a PPEL fund is available to school districts but not to area education agencies.

**98.64(2)** *Appropriate uses of the PPEL fund.* Appropriate expenditures in the PPEL fund include the following:

*a.* Purchase of grounds including the legal costs relating to the property acquisition, costs of surveys of the property, costs of relocation assistance under state and federal law, and other costs incidental in the property acquisition.

*b.* Improvement of grounds including grading, landscaping, paving, seeding, and planting of shrubs and trees; constructing sidewalks, roadways, retaining walls, sewers and storm drains, and installing hydrants; surfacing and soil treatment of athletic fields and tennis courts; exterior lighting, including athletic fields and tennis courts; furnishing and installing flagpoles, gateways, fences, and underground storage tanks which are not parts of building service systems; demolition work; and special assessments against the school district for public improvements.

*c.* Construction of schoolhouses or buildings.

*d.* Construction of roads to schoolhouses or buildings.

*e.* Purchasing, leasing, or lease-purchasing equipment or technology exceeding \$500 in value per purchase, lease, or lease-purchase transaction.

(1) “Equipment” means both equipment and furnishings. The cost limitation for equipment does not apply to recreational equipment pursuant to paragraph 98.64(2) “*n*” or equipment that becomes an integral part of real property such as furnaces, boilers, water heaters, and central air-conditioning units that are included in repairs to a building pursuant to paragraph 98.64(2) “*h*.”

(2) “Transaction” means a business deal or agreement between a school district and a provider of goods or services. Technology may be bundled for purposes of exceeding \$500 per transaction.

*f.* Transferring to debt service for payments, when due, of debts contracted for the erection or construction of schoolhouses or buildings, not including interest on bonds.

*g.* Procuring or acquisition of library facilities.

*h.* Repairing, remodeling, reconstructing, improving, or expanding the schoolhouses or buildings and the additions to existing schoolhouses. “Repairing” means restoring an existing structure or thing to its original condition, as near as may be, after decay, waste, injury, or partial destruction, but does not include maintenance. “Reconstructing” means rebuilding or restoring as an entity a thing which was lost or destroyed. “Maintenance” means to cause to remain in a state of good repair or to keep equipment in effective working condition and ready for daily use. Maintenance includes cleaning, upkeep, inspecting for needed maintenance, preserving the existing state or condition, preventing a decline in the existing state or condition, and replacing parts, unless otherwise a repair.

*i.* Energy conservation projects.

*j.* Transferring interest and principal to the debt service fund when due for loans to purchase equipment authorized under Iowa Code section [279.48](#), for loans in anticipation of the collection of the voter-approved property under Iowa Code section [297.36](#), and loans to be used for energy conservation measures under Iowa Code section [473.20](#), in the case of a school district, when the original proceeds were accounted for in the PPEL fund.

*k.* The rental of facilities under Iowa Code chapter 28E.

*l.* Purchase of transportation equipment for transporting students.

*m.* Purchase of buildings or lease-purchase option agreements for school buildings.

*n.* Purchase of equipment for recreational purposes.

*o.* Payments to a municipality or other entity as required under Iowa Code section [403.19](#), subsection 2.

*p.* Asbestos projects including costs of inspection and reinspection, sampling, analysis, assessment, response actions, operations and maintenance, training, periodic surveillance, development of management plans and record-keeping requirements relating to the presence of asbestos in school buildings of the district and its removal or encapsulation.

*q.* Purchase, erect, or acquire a building for use as a school meal facility, and equip a building for that use.

*r.* Purchase of land as part of startup costs for a new student construction program or if the sale proceeds of the previous student construction were insufficient to purchase land, but not for materials and supplies for a facility intended to be sold.

*s.* Construction materials and supplies for a student constructed building or shed intended to be retained by and used by the district.

*t.* Demolition of a district owned building.

*u.* Improving buildings or sites for the purpose of accessing digital telecommunications over multiple channels, often referred to as broadband.

**98.64(3)** *Inappropriate uses of the PPEL fund.* Inappropriate expenditures in the PPEL fund include the following:

*a.* Student construction materials and supplies for a facility intended to be sold.

*b.* Salaries and benefits.

*c.* Travel.

*d.* Supplies.

*e.* Facility, vehicle, or equipment maintenance.

f. Printing costs or media services.

g. Any other purpose not expressly authorized in the Iowa Code.

ITEM 21. Amend the following rule **281 – 98.69 (76, 273, 298, 298A, 423E, 423F) Capital projects fund**. Capital projects funds are used to account for financial resources to acquire or construct major capital facilities and to account for revenues from the previous local option sales and services tax for school infrastructure and the current state sales and services tax for school infrastructure. Boards of directors of school districts are authorized to establish more than one capital projects fund as necessary.

**98.69(2)** *Appropriate uses of the capital projects fund.*

a. Appropriate expenditures in a capital projects fund, excluding state/local option sales and services tax for school infrastructure fund, include the following:

(1) Purchasing, constructing, furnishing, equipping, reconstructing, repairing, improving, or remodeling a schoolhouse or schoolhouses and additions thereto, gymnasium, stadium, field house, school bus garage, or teachers' or superintendents' home(s).

(2) Procuring a site, or purchasing land to add to a site already owned, or procuring and improving a site for an athletic field, or improving a site already owned for an athletic field.

(3) Transferring to the PPEL fund or debt service fund by board resolution any balance remaining in a capital projects fund after the capital project is completed and after return of any excess amount transferred into the capital projects fund from another fund. The voters in the district may authorize the district to transfer the remaining balance to the general fund instead of the PPEL fund or debt service fund pursuant to Iowa Code subsection [278.1\(1\)](#) "e."

(4) Improving buildings or sites for the purpose of accessing digital telecommunications over multiple channels, often referred to as broadband.

b. Appropriate expenditures in the state/local option sales and services tax for the school infrastructure capital projects fund shall be expended in accordance with a valid revenue purpose statement if a valid revenue purpose statement exists, otherwise appropriate expenditures include the following in order:

(1) Payment of principal and interest on revenue bonds issued pursuant to Iowa Code sections [423E.5](#) and [423F.4](#) for which the revenue has been pledged.

(2) Reduction of debt service levies.

(3) Reduction of regular and voter-approved PPEL levies.

(4) Reduction of the PERL levy.

(5) Reduction of any schoolhouse tax levy under Iowa Code subsection [278.1\(1\)](#) “e.”

(6) Any authorized infrastructure purpose of the district pursuant to Iowa Code subsection [423F.3\(6\)](#), which includes the following:

1. Payment or retirement of outstanding general obligation bonded indebtedness issued for school infrastructure purposes.
2. Payment or retirement of outstanding revenue bonds issued for school infrastructure purposes.
3. Purchasing, constructing, furnishing, equipping, reconstructing, repairing, improving, remodeling, or demolition of a schoolhouse or schoolhouses and additions thereto, gymnasium, stadium, field house, or school bus garage.
4. Procuring a site, or purchasing land to add to a site already owned, or procuring and improving a site for an athletic field, or improving a site already owned for an athletic field.
5. Expenditures listed in Iowa Code section [298.3](#).
6. Expenditures listed in Iowa Code section [300.2](#).

(7) Improving buildings or sites for the purpose of accessing digital telecommunications over multiple channels, often referred to as broadband.

**98.69(3)** *Inappropriate uses of the capital projects fund.* Inappropriate expenditures in a capital projects fund include ~~student construction or~~ any expenditure not expressly authorized in the Iowa Code. Additionally, expenditures from the state/local options sales and services tax supplemental school infrastructure amount for new construction or for payments for bonds issued for new construction in any district that has a certified enrollment of fewer than 250 pupils in the district or a certified enrollment of fewer than 100 pupils in the high school without a certificate of need issued by the department of education. This restriction does not apply to payment of outstanding general obligation bonded indebtedness issued pursuant to Iowa Code section [296.1](#) before April 1, 2003. This restriction also does not apply to costs to repair school buildings; purchase of equipment, technology or transportation equipment authorized under Iowa Code section [298.3](#); or for construction necessary to comply with the federal Americans With Disabilities Act. Expenditures from the state/local options sales and services tax revenues have the same restriction as expenditures from the supplemental school infrastructure amount, excluding the restriction on payments for bonds issued for new construction.

ITEM 22. Amend Chapter 98 Division IV to create new rule **281 – 98.71** and to renumber.

**281—98.71** **(298A) Entrepreneurial education fund.** The entrepreneurial education fund is used to enhance student learning by encouraging students to develop and practice entrepreneurial skills at an early age and to foster a business-ready workforce in this state. A school corporation may establish an entrepreneurial education fund at the request of a student organization or club and upon approval by the school board.

98.71(1) Sources of revenue in the entrepreneurial education fund. Sources of revenue in the entrepreneurial education fund shall consist only of moneys earned through entrepreneurial activities or returns on investments made for entrepreneurial purposes by the student organization or club, private donations and private contributions, and any interest earned on such moneys that are deposited in the fund. At the request of a student organization or club and upon approval by the school board, a school corporation shall transfer moneys in a student activity fund established under section 298A.8, for deposit by the student organization or club in an entrepreneurial education fund. However, a school corporation shall not transfer such moneys unless the moneys are attributable through appropriate documentation to the specific student organization or club and unless the student organization or club shows through appropriate documentation that the student organization or club earned the moneys through entrepreneurial activities of starting, maintaining, or expanding a business venture, including a seasonal business venture, or rendering other labor or services in return for compensation. Entrepreneurial activities do not include charitable contributions or other donations or gifts received by the student organization or club for which no labor or services are rendered.

98.71(2) Appropriate uses of the entrepreneurial education fund. Appropriate uses of the entrepreneurial education fund are limited to expending only for investments made, or activities undertaken, for board-approved entrepreneurial purposes which includes investing in a start-up company, early-stage company, or existing company developing a new product or new technology if the investment is in keeping with the education program of the school corporation; if the student organization or club or its members will as a stated condition of the investment, take an active role in the company which active role directly relates to and furthers the

educational purposes for which the student organization or club is established; and if a reasonable return upon the investment is expected.

**98.71(3) Inappropriate uses of the entrepreneurial education fund.** A student organization or club shall not invest moneys from an entrepreneurial education fund for an entrepreneurial purpose in which a member of the student organization or club, an advisor or supervisor of the student organization or club, or an immediate family member of such persons, has a financial interest.

**98.71(4) Fund closure.** An entrepreneurial education fund may be closed at the request of the student organization or club for which the school corporation established the fund. All moneys in the fund on the date of closure and any subsequent return on an investment made with moneys from the fund shall be deposited in the school district's student activity fund.

ITEM 23. Amend and renumber the following rule **281—71 (256B, 257, 298A)**.

**281 – 98.721 (256B, 257, 298A) Special education instruction fund.** The special education instruction fund is used to account for the revenues and expenditures of the special education instructional program that an area education agency provides for its member districts under Iowa Code subsection 273.9(2). This does not include special education support services as provided by Iowa Code subsection 273.9(3) which are accounted for in the general fund.

**98.721(1) Sources of revenue in the special education instruction fund.** Sources of revenue in the special education instruction fund include ~~tuition-charged~~ sales of instructional services to districts with students in the special education instruction program and interest on the investment of those moneys.

**98.721(2) Appropriate uses of the special education instruction fund.** Appropriate expenditures in the special education instruction fund include those authorized to a school district pursuant to

Iowa Code chapter 256B and 281 – Chapter 41, and which are included in the written agreement with the school districts.

**98.721(3)** *Inappropriate uses of the special education instruction fund.* Inappropriate expenditures in the special education instruction fund include expenditures not allowed to school districts pursuant to Iowa Code chapter 256B and 281 – Chapter 41, expenditures for special education support services provided pursuant to Iowa Code subsection 273.9(3), or expenditures for costs not included in the written agreement with the school districts.

ITEM 24. Amend and renumber rule **281 – 98.72 (282, 298A).**

**281—98.732(282, 298A) Juvenile home program instruction fund.** The juvenile home program instruction fund is used to account for the revenues and expenditures for the educational program for students residing in juvenile homes as provided by Iowa Code section 282.30. The juvenile home program supplements, but does not supplant expenditures required of an area education agency under Iowa Code chapter 273. Revenues and expenditures related to federal or state grants serving students in the juvenile homes that supplement, rather than supplant the juvenile home program are included in the general fund, rather than the juvenile home fund.

Educational program costs for students served pursuant to IEPs shall not be included in the claim described in Iowa Code section 282.31 in lieu of billing those costs to the resident district.

Educational program costs for out-of-state resident students shall not be included in the claim described in Iowa Code section 282.31 in lieu of billing those costs to the resident state agency.

The AEA is responsible for stewardship of public funds and ensuring all costs are ordinary and necessary costs of instructional and classrooms are not overstaffing for the number of students.

The AEA shall compare its costs, services, and staffing to the costs, services, and staffing of similar

classroom in the school district in which the juvenile home is located to ensure they are comparable.

**98.732(1)** *Sources of revenue in the juvenile home program instruction fund.* Sources of revenue in the juvenile home program instruction fund include an advance paid pursuant to Iowa Code section 282.31, tuition billed to Iowa resident districts or to out-of-state agencies, grants in aid and interest on the investment of those moneys.

**98.732(2)** *Appropriate uses of the juvenile home program instruction fund.* Appropriate expenditures in the juvenile home program instruction fund ~~include~~ are ordinary and necessary expenditures approved by the Department to provide an instructional program to students residing in juvenile homes, which includes:

a. Salary and benefits for classroom teachers and classroom aides providing instruction to students placed in a juvenile home.

b. Professional development for all classroom teachers and aides working with students placed in a juvenile home which is specific to strategies to meet the needs of students in placement.

c. Research-based resources, materials, software, supplies, and equipment, and purchased services that are customarily considered instructional and that meet all of the following criteria:

(1) Meet the needs of school-age students placed in juvenile homes.

(2) Will remain with the AEA juvenile home program.

(3) Do not duplicate support services responsibilities of the AEA or the responsibilities of the juvenile home in its agreement with the placement agencies.

d. Summer school when necessary for a valid, established educational reason such as being included in the student's IEP or required pursuant to Iowa Code section 279.68.

e. Student support and instructional support expenditures to the extent that they are exclusively devoted to the juvenile home instructional program and are not administrative or clerical. This would include guidance services, curriculum development and instructional technology.

f. Administrative support to the extent the administrator is exclusively assigned to the juvenile home locations and is exclusively providing school-level administrative services directly for the student placed in the juvenile home or the classroom teachers. If the administrator is part-time assigned to the juvenile home locations, then the portion of time that is exclusively and directly related to the juvenile home instructional programs may be charged to the program, but the portion of time that is related to other purposes shall not. The total administrative cost shall not exceed 10 percent of the total of all allowable costs for the juvenile home program.

g. When the students are not required by the placement agency to remain at the juvenile home facility and the juvenile home has no responsibility for treatment in its agreement with the placement agency beyond custodial care, then rent may be allowed. Rent must be approved by the Department. The space must be classroom space occupied exclusively by the AEA's instructional program and not include restrooms or any other common spaces. Only if rent is approved, may any costs for operation or maintenance of that classroom space be allowed. The total administrative cost in paragraph "f" and the total of rent and associated operation and maintenance shall not exceed 20 percent of the total of all allowable costs for the juvenile home program.

h. Transportation provided by the AEA exclusively to transport students placed at the juvenile home to the student's resident school district located in Iowa or to the school district in which the juvenile home is located.

**98.732(3)** *Inappropriate uses of the juvenile home program instruction fund.* Inappropriate expenditures in the juvenile home program instruction fund include the following:

*a. Costs estimated or allocated that are expenditures of the agency, such as insuring agency property.*

*b. Costs that are not ordinary and necessary to provide instruction.*

*c. Costs related to the juvenile home facility or its responsibilities under Code or its agreements with the placement agencies.*

*d. Costs that were or could have been filed with Medicaid for reimbursement.*

~~*e.d.*~~—Debt service.

~~*d.e.*~~—Capital outlay related to facilities. This includes any costs for facility acquisition or construction services including remodeling and facility repair.

*f. Support services that are AEA responsibilities pursuant to Iowa Code.*

*g. Rental when adequate space is available at the AEA or at the district of location or when the students require treatment provided by the juvenile home or are required to remain at the juvenile home pursuant to the agreement between the juvenile home and the placement agency.*

*h. Costs of an audit.*

*i. Indirect costs.*

ITEM 25. Amend by renumbering rule **281 – 98.73 (283A, 298A) School nutrition fund.**

**281—98.743 (283A, 298A) School nutrition fund.**

**98.743(1)** *Sources of revenue in the school nutrition fund.*

**98.743(2)** *Appropriate uses of the school nutrition fund.*

**98.743(3)** *Inappropriate uses of the school nutrition fund.*

ITEM 26. Amend by renumbering rule **281 – 98.74 (279, 298A) Child care and before-and after-school programs fund.**

**281—98.754(279, 298A) Child care and before- and after-school programs fund.**

**98.754(1)** *Sources of revenue in the child care fund.*

**98.754(2)** *Appropriate uses of the child care fund.*

**98.754(3)** *Inappropriate uses of the child care fund.*

Item 27. Amend by renumbering rule **281 – 98.75 (298A) Regular education preschool fund.**

**281—98.765 Regular education preschool fund.**

**98.765(1)** *Sources of revenue in the regular education preschool fund.*

**98.765(2)** *Appropriate uses of the regular education preschool fund.*

**98.765(3)** *Inappropriate uses of the regular education preschool fund.*

ITEM 28. Amend by renumbering rule **281 – 98.76 (298A) Student construction fund.**

**281—98.776(298A) Student construction fund.**

ITEM 29. Amend and renumber rule **281 – 98.77 Other enterprise funds.**

**281—98.787(298A) Other enterprise funds.** Enterprise funds are used to account for any activity for which a fee is charged to external users for goods and services. Enterprise funds are required to be used to account for any activity whose principal revenue sources are fees and charges to recover the costs of providing goods or services where those fees and charges are permitted by the Iowa Code. Funds discussed in rules [281—98.743\(283A,298A\)](#) through [281—98.776\(298A\)](#) are enterprise funds. In addition, enterprise funds include those activities related to community service enterprises or enterprises that support the school curricular program.

Community service enterprises are activities provided by the district for a fee to the general community or segment of the community that are not in the PERL or library funds such as public

libraries, community pool, community wellness center, and community or adult education.

Enterprises that support the school program include activities such as a student farm, greenhouse, cooperative purchasing, school stores, or major resale activities.

ITEM 30. Amend by renumbering rule **281 – 98.78** to **98.81** Reserved.

**281—98.798 to 98.81** Reserved.

These amendments are intended to implement changes to Iowa Code sections 98.18, 256.7, 256.9, 256C(4)(1)(e), 257.11, 257.31, 257.41, 279.46, 280.4(3), 284.15, 298.3, 298A.12, and 298A.15.